

Ringgit Weekly Outlook

To trade below 4.70/USD if US macro weakens, but political risks may cap USD downside

Fundamental Overview

- In line with our outlook, the ringgit appreciated towards the 4.70/USD level, initially buoyed by the soft core PCE reading last Friday. However, the local note faced brief pressure due to increased likelihood of a Trump victory this November. This concern was short-lived, as the diminishing political risk premium in Europe, combined with weakening ISM manufacturing and services figures, exerted downward pressure on the USD index (DXY). Despite higher job openings, signs of weakness in the US economy continue to bolster the case for a rate cut in September, benefiting the ringgit.
- As the weekend approaches, investor attention will pivot to tonight's nonfarm payroll (NFP) data and the outcome of the French election on Sunday. While political risks in the EU persist, a potentially weaker NFP reading (Consensus: 190.0k) tonight, alongside softer US CPI readings next week, may heighten expectations of Fed rate cuts, further pressuring the DXY. Domestically, the ringgit could remain supported by BNM's policy status quo and a favourable macroeconomic outlook, provided retail sales and IPI readings remain strong. Overall, we maintain a positive outlook for the ringgit in the coming week, though some investors may still favour the USD as long as Trump leads in the polls.

Technical Analysis

- The outlook for USDMYR next week is neutral, with the pair expected to hover around its 5-day EMA of 4.713.
- Technically, the pair may trade within the range of (S1) 4.705 to (R1) 4.717. However, any upside surprises in key US economic data and political uncertainties could weaken the MYR.

Table 1: Currency Outlook

| Long Term* | | | | | | | |
|------------|-------|--------|--------|--------|--------|--------|-------|
| | Q2-24 | Q3-24F | Q4-24F | Q1-25F | Q2-25F | Q3-25F | Trend |
| USDMYR | 4.718 | 4.553 | 4.416 | 4.376 | 4.284 | 4.192 | ▼ |

| Short Term (Technical) | | | | | | | |
|------------------------|---------|---------|-------|-------|-------|-------|-------|
| | RSI (7) | EMA (5) | R1 | R2 | S1 | S2 | Trend |
| USDMYR | 42.071 | 4.713 | 4.717 | 4.725 | 4.705 | 4.701 | — |

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

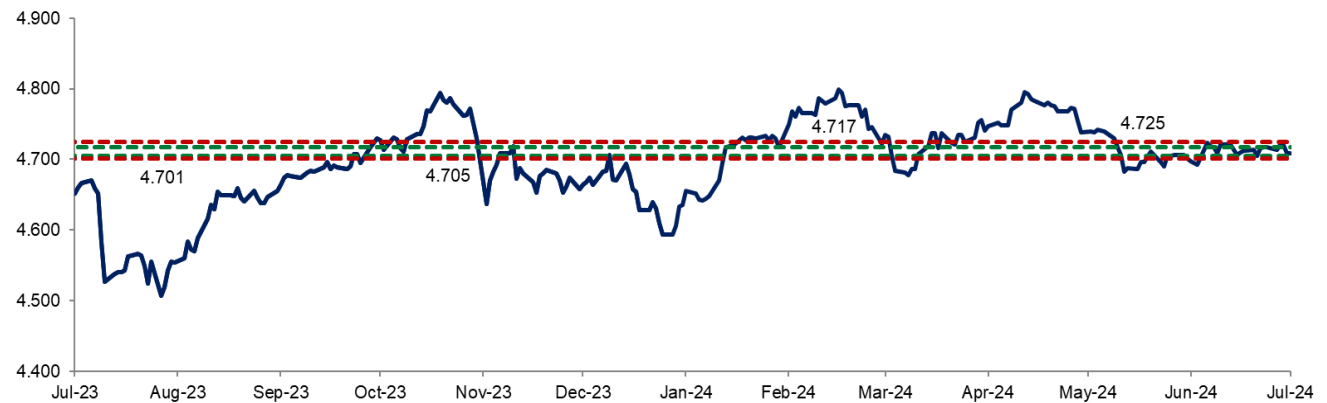
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

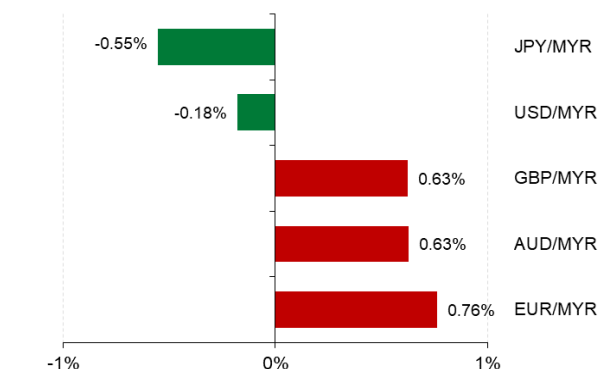
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



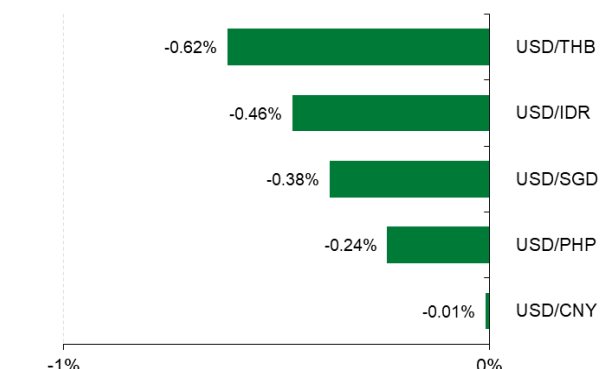
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

05 July 2024

Table 2: Performance of Core Pairs

| Currencies | 02/01/24 YTD | 04/07/23 Last Year | 04/06/24 Last Month | 27/06/24 Last Week | 04/07/24 Yesterday | ytd (%) | yoy (%) | mom (%) | wow (%) |
|----------------------------|-----------------|-----------------------|------------------------|-----------------------|-----------------------|---------|---------|---------|---------|
| MYR | | | | | | | | | |
| USDMYR | 4.606 | 4.650 | 4.702 | 4.718 | 4.709 | 2.24% | 1.26% | 0.16% | -0.18% |
| AUDMYR | 3.142 | 3.109 | 3.122 | 3.146 | 3.166 | 0.76% | 1.83% | 1.41% | 0.63% |
| GBPMYR | 5.857 | 5.905 | 6.001 | 5.967 | 6.004 | 2.50% | 1.68% | 0.05% | 0.63% |
| EURMYR | 5.073 | 5.068 | 5.112 | 5.046 | 5.085 | 0.23% | 0.33% | -0.53% | 0.76% |
| JPYMYR | 3.251 | 3.219 | 3.035 | 2.940 | 2.924 | -10.05% | -9.17% | -3.65% | -0.55% |
| SGDMYR | 3.482 | 3.447 | 3.488 | 3.478 | 3.484 | 0.07% | 1.07% | -0.11% | 0.19% |
| ASEAN 5 + CNY + JPY | | | | | | | | | |
| USDIDR | 15470 | 14995 | 16220 | 16406 | 16330 | 5.56% | 8.90% | 0.68% | -0.46% |
| USDTHB | 34.151 | 34.908 | 36.598 | 36.847 | 36.620 | 7.23% | 4.90% | 0.06% | -0.62% |
| USDSGD | 1.323 | 1.349 | 1.348 | 1.357 | 1.352 | 2.14% | 0.19% | 0.28% | -0.38% |
| USDPHP | 55.665 | 55.244 | 58.735 | 58.742 | 58.601 | 5.27% | 6.08% | -0.23% | -0.24% |
| USDCNY | 7.143 | 7.216 | 7.240 | 7.269 | 7.268 | 1.75% | 0.72% | 0.39% | -0.01% |
| USDJPY | 141.650 | 144.450 | 154.930 | 160.440 | 161.060 | 13.70% | 11.50% | 3.96% | 0.39% |
| USD | | | | | | | | | |
| EURUSD | 1.101 | 1.090 | 1.087 | 1.070 | 1.080 | -1.88% | -0.87% | -0.60% | 0.91% |
| GBPUSD | 1.270 | 1.271 | 1.276 | 1.265 | 1.276 | 0.49% | 0.39% | 0.01% | 0.83% |
| AUDUSD | 0.682 | 0.668 | 0.664 | 0.666 | 0.673 | -1.29% | 0.69% | 1.40% | 1.02% |

Source: Kenanga Research, Bloomberg

Table 3: Upcoming Major Data Release And Policy Announcement for the Week

| Date | Country | Indicator | Previous | Consensus/Forecast |
|------------|---------|-----------------------------|-----------|---------------------|
| 9/07/2024 | US | Fed Chair Powell Testimony | N/A | N/A |
| 10/07/2024 | CN | Inflation Rate (JUN) | 0.3% YoY | 0.4% YoY |
| 10/07/2024 | MY | Unemployment Rate (MAY) | 3.3% | N/A |
| 11/07/2024 | MY | Retail Sales (MAY) | 5.5% YoY | N/A |
| 11/07/2024 | MY | BNM Interest Rate Decision | 3.00% | 3.00%* (status quo) |
| 11/07/2024 | US | Core Inflation (JUN) | 0.2% MoM | 0.2% MoM |
| 12/07/2024 | MY | Industrial Production (MAY) | 6.1% YoY | 3.7% YoY |
| 12/07/2024 | US | PPI (JUN) | -0.2% MoM | 0.1% MoM |

Source: Kenanga Research, Trading Economics, Bloomberg
*KIBB

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my